

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-025
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#09-025

26th DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Robert Manassero, President
Board of Directors
26th DAA, Amador County Fair
18621 Sherwood & School Streets
Plymouth, CA 95669

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 26th District Agricultural Association (DAA), Amador County Fair, Plymouth, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 26th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

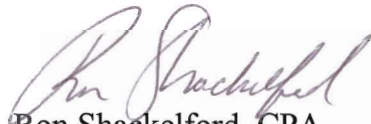
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 26th DAA, Amador County Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 26th DAA, Amador County Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-025, on the 26th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 26th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office

June 5, 2009

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

STATEMENTS OF FINANCIAL CONDITION
December 31, 2008 and 2007

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash & Cash Equivalents	111 - 117	\$ 125,714	\$ 153,851
Accounts Receivable, Net	131	61,659	46,289
Inventory	141	2,667	2,667
Deferred Charges	143	-	846
Construction In Progress	190	-	16,205
Land	191	9,764	9,764
Buildings and Improvements, Net	192	919,022	968,735
Equipment, Net	193	15,284	21,712
Photovoltaic, Net	194	410,305	-
TOTAL ASSETS		<u>1,544,415</u>	<u>1,220,069</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Fees Collected - Insurance	211	1,500	2,500
Accounts Payable	212	38,188	38,993
Current Portion of Long Term Debt	212.5	21,280	4,104
Taxes Payable	221 - 226	3,133	1,278
Deferred Income	228	24,134	28,860
Guaranteed Deposits	241	1,500	1,060
Compensated Absences Liability	245	25,166	29,941
Long Term Debt	255	280,655	15,564
Total Liabilities		<u>395,556</u>	<u>122,300</u>
Net Resources			
JLA Reserve	251	24,922	29,158
Net Resources - Operations	291	71,496	71,863
Net Resources - Capital Assets, less Related Debt	291.1	1,052,441	996,748
Total Net Resources Available		<u>1,148,859</u>	<u>1,097,769</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,544,415</u>	<u>\$ 1,220,069</u>

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
December 31, 2008 and 2007**

	Account Number	2008	2007
REVENUE			
State Allocations	312	\$ 150,000	\$ 150,000
Capital Project Reimbursement	319	35,000	99,537
Other Operating Fund	340	118,759	40,000
Admissions	410	119,208	124,449
Commercial Space	415	30,010	28,010
Carnival	421	41,960	37,319
Food Concessions	422	71,061	66,735
Exhibits	430	29,325	30,063
Horse Show	440	26,888	24,924
Attractions - Fairtime	460	62,275	57,943
Miscellaneous Fair	470	98,797	110,567
JLA - Revenue	476	28,182	27,899
Non-Fair Revenue	480	123,520	104,707
Prior Year Adjustment	490	6,946	1,930
Other Revenue	495	30,775	31,597
Total Revenue		972,706	935,680
EXPENSES			
Administration	500	235,928	212,651
Maintenance and Operations	520	233,901	272,944
Publicity	540	51,971	49,523
Attendance	560	56,677	61,329
Miscellaneous Fair	570	6,580	12,223
JLA - Expense	576	32,418	18,983
Premiums	580	31,589	30,994
Exhibits	630	35,019	37,933
Horse Show	640	30,833	22,526
Attractions - Fairtime	660	99,077	111,468
Equipment	723	28,667	5,194
Prior Year Adjustments	800	1,538	98,606
Cash Over/Under	850	430	(331)
Depreciation Expense	900	76,989	66,351
Total Expenses		921,617	1,000,394
RESOURCES			
Net Change - Income / (Loss)		51,089	(64,715)
Resources Available, January 1		1,097,769	1,162,484
Resources Available, December 31		\$ 1,148,859	\$ 1,097,769

**26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 51,089	\$ (64,715)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(15,369)	(19,300)
(Increase) Decrease in Deferred Charges	847	(435)
Increase (Decrease) in Deferred Income	(4,726)	9,075
Increase (Decrease) in Accounts Payable	(1,804)	22,971
Increase (Decrease) in Current Portion of LTD	17,176	4,104
Increase (Decrease) in Compensated Absence Liability	(4,777)	15,942
Increase (Decrease) in A/P and Accrued Expense	1,856	393
Increase (Decrease) in Guarantee Deposits	440	(315)
Total Adjustments	<u>(6,358)</u>	<u>32,435</u>
Net Cash Provided (Used) by Operating Activities	<u>44,732</u>	<u>(32,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction In Progress	16,205	7,008
(Increase) Decrease in Buildings & Improvements	49,713	46,721
(Increase) Decrease in Equipmen	6,428	(13,612)
(Increase) Decrease in Photovoltaic	<u>(410,305)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(337,959)</u>	<u>40,117</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>265,090</u>	<u>15,564</u>
Net Cash Provided (Used) by Financing Activities	<u>265,090</u>	<u>15,564</u>
NET INCREASE (DECREASE) IN CASH	(28,137)	23,401
Cash at Beginning of Year	153,851	130,450
CASH AT END OF YEAR	<u><u>\$ 125,714</u></u>	<u><u>\$ 153,851</u></u>

**26th DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 26th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Amador County Fair each year in Plymouth, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the

useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash & Change Fund	\$ 450	\$ 1,410
Cash in Bank - Operating	15,392	3,677
Cash in Bank - Premium	376	600
Cash in Bank - ATM	292	62,262
Cash in Bank – Pay Pal	98	100
Cash in Bank – JLA	12,429	17,171
Cash in Bank – LAIF	<u>96,677</u>	<u>68,631</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 125,714</u></u>	 <u><u>\$ 153,851</u></u>

NOTE 4 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 72,206	\$ 56,135
Allowance for Doubtful Accounts	<u>(10,547)</u>	<u>(9,846)</u>
 Accounts Receivable - Net	 <u><u>\$ 61,659</u></u>	 <u><u>\$ 46,289</u></u>

NOTE 5 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	<u><u>2008</u></u>	<u><u>2007</u></u>
Building & Improvements	\$ 2,649,882	\$ 2,637,885
Less: Accumulated Depreciation	<u>(1,730,860)</u>	<u>(1,669,150)</u>
Building & Improvements - Net	<u><u>\$ 919,022</u></u>	<u><u>\$ 968,735</u></u>
 Equipment	 \$ 72,934	 \$ 72,934
Less: Accumulated Depreciation	<u>(57,650)</u>	<u>(51,222)</u>
Equipment - Net	<u><u>\$ 15,284</u></u>	<u><u>\$ 21,712</u></u>
 Photovoltaic	 \$ 439,613	 \$ -
Less: Accumulated Depreciation	<u>(29,308)</u>	<u>-</u>
Photovoltaic - Net	<u><u>\$ 410,305</u></u>	<u><u>\$ -</u></u>

NOTE 6**LONG-TERM DEBT**

The DAA has entered into a long-term loan agreement with California Construction Authority (CCA) to finance the Photovoltaic power-generating project on the fairgrounds and two long-term loan agreements with the California Fair Services Authority (CFSA) to finance the automated teller machine and livestock scale. The terms of the agreements are as follows:

CCA Photovoltaic Loan:

Loan Amount	\$ 294,209
First Payment Date	July 2008
Payment Amount	\$ 1,927
Duration of Loan	186 Months
Interest Rate	2.25%
Total Outstanding at 12/31/08	\$ 286,022
Current Portion at 12/31/08	\$ 16,594
Long-Term Portion at 12/31/08	\$ 269,428

CFSA ATM Loan:

Loan Amount	\$ 10,000
First Payment Date	November 2007
Payment Amount	\$ 191
Duration of Loan	60 Months
Interest Rate	5.50%
Total Outstanding at 12/31/08	\$ 8,213
Current Portion at 12/31/08	\$ 2,050
Long-Term Portion at 12/31/08	\$ 6,163

CFSA Equipment Loan:

Loan Amount	\$ 10,000
First Payment Date	November 2007
Payment Amount	\$ 233
Duration of Loan	48 months
Interest Rate	5.50%
Total Outstanding at 12/31/08	\$ 7,702
Current Portion at 12/31/08	\$ 2,636
Long-Term Portion at 12/31/08	\$ 5,066

NOTE 7**RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System

will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

NOTE 9 **LITIGATION**

The DAA is subject to various claims and legal actions relating to a range of matters that are incidental to the conduct of its operations, the DAA's management believes none of which will have a material effect on its financial position or results of operations.

**26th DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 26th DAA Board of Directors
1	Chief Executive Officer, 26th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

MANAGEMENT REPORT #09-025

YEAR ENDED DECEMBER 31, 2008

26TH DISTRICT AGRICULTURAL ASSOCIATION
AMADOR COUNTY FAIR
PLYMOUTH, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Jason Jones

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-025

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Robert Manassero, President
Board of Directors
26th DAA, Amador County Fair
P.O. Box 9
Plymouth, CA 95669

In planning and performing our audit of the financial statements of the 26th District Agricultural Association (DAA), Amador County Fair, Plymouth, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Amador County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 26th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 26th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 26th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 26th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 26th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 26th DAA and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: Accounting for photovoltaic project, accounting for fixed assets, and carnival revenue. We have provided six recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 26th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR PHOTOVOLTAIC PROJECT

Upon examination of the Fair's photovoltaic project as reported on the 2008 Statement of Operations (STOP), our office noted the following internal control weaknesses:

- a. The Fair overstated its long-term debt liability when initially recording the loan associated with their acquisition of solar panels, and as a result Account #25030, Long-Term Debt, was overstated by \$62,487 on the year-end financial statements. As of December 31, 2008, within its general ledger, the Fair recorded the outstanding debt attributable to the photovoltaic project at \$346,813. However, our office noted that this amount represents the total payments to be made by the Fair and included amounts for interest and insurance. At year-end, the outstanding principal portion owed by the Fair was \$284,651. By overstating the Fair's long-term debt within its general ledger, the Fair's net resources were understated by the same amount in their year-end financial statements.
- b. Three of the six monthly payments were not allocated properly between a reduction of the principal balance, interest expense, and insurance expense as required when accounting for long-term debt. These payments of \$1,926 were applied solely to a reduction of the principal balance, while three others were properly recorded and allocated between principal, interest, and insurance.

Recommendation

1. *The Fair should make the necessary correcting journal entries to Account #25030, Long-term Debt, as soon as reasonably possible. In addition, the Fair should ensure each monthly payment is accounted for correctly, whereas only the portion that represents the principal reduces long-term debt, and amounts that represent interest and insurance are accounted for as period expenses. Finally, at year-end, the Fair should reconcile all long-term debt amounts reported in the general ledger to corresponding amortization schedules prior to closing the accounting period and preparing the year-end financial accounting reports.*

ACCOUNTING FOR FIXED ASSETS

Our office examined the Fair's fixed assets account as recorded in the year-end accounting records, and the following accounting errors or omissions were noted:

- a. The Fair installed and capitalized costs related to the Americans with Disabilities Act (ADA) hardware at multiple locations which did not meet the asset capitalization criteria as established by the Department of Finance (DOF) of having cost \$5,000 or more and having a useful life of one year or longer. By installing the hardware in multiple locations, no single area or structure received more than \$5,000 of the

\$11,998 project total, thus not meeting the \$5,000 threshold required for the Fair to capitalize the costs.

- b. The Fair included on their fixed asset worksheet, in the amount of \$55,826, the costs associated with making repairs to Fair buildings damaged by a storm. Although the amount of money spent was material, amounts spent for repairs should only be capitalized if they meet capitalization requirements and extend the life of the asset. Generally accepted accounting principles (GAAP) requires costs for repairs and maintenance to be expensed in the financial period incurred.
- c. Additionally, our office noted the Fair did not fully recognize the cost for improvements to the wine concession's building on the fairgrounds. Within its accounting records, the Fair capitalized the cost of the project at \$20,003; however, a closed project report from the California Construction Authority (CCA) identified the total project cost to be \$32,000. As a result, the project is understated within the accounting records by \$11,997.

Recommendations

2. *The Fair should follow DOF asset capitalization requirements and only capitalize assets that have a cost of at least \$5,000 and a useful life of at least one year.*
3. *The Fair should comply with GAAP by ensuring they expense amounts spent repairing their buildings. Only costs that represent betterments and improvements that extend the life of the asset and comply with DOF capitalization requirements should be capitalized.*
4. *The Fair should make the necessary correcting journal entry to ensure the improvements made to the wine concession's building are fully accounted for within its accounting records.*

CARNIVAL REVENUES

Our office cannot determine whether the revenue earned and shared during fairtime in 2008 between the Fair and the carnival operator was appropriate. For 2008, the contract between the Fair and carnival operator specified for the fair to receive (i) a minimum guarantee of \$32,000 and (ii) 50% of the amount of pre-sale carnival tickets sold. The pre-sale tickets were sold in the Fair's office on a daily basis prior to the start of the Fair. Although the Fair was entitled to only 50% of the pre-sale tickets sold, in practice the Fair received and deposited 100% of the pre-sale tickets sold and later subtracted this amount from the minimum guarantee that was paid to the Fair at the end of fairtime.

Within the general ledger and year-end STOP, the Fair reported a total of \$41,960 for carnival and carnival pre-sale revenue. However, a ticket reconciliation of the amount of carnival pre-sale tickets sold along with the minimum guarantee shows the Fair to have earned \$49,620. The Fair could not explain the approximately \$7,500 difference between the amount in the general ledger and the amount reflected per its ticket reconciliation. In addition, there is general uncertainty as to the amount of cash collected during the pre-selling of carnival tickets. The Fair did not maintain detailed accounting records that listed the daily pre-sale tickets sold for each of its cash registers along with corresponding cash receipt

numbers. Our office cannot determine the amount of cash collected during the pre-sale period in order to determine whether the Fair was correctly paid its share of all carnival revenues.

The internal control weaknesses identified above are demonstrated by the fact that neither a representative of the Fair nor the carnival contractor signed the final carnival settlement sheet. The purpose of the carnival settlement sheet is to summarize all fairtime carnival revenues, along with pre-sale revenue, and to provide assurance to the Fair that all carnival revenues have been properly reported. The Accounting Procedures Manual (APM) requires both the Fair and the contractor to sign the settlement sheet. These signatures verify that both parties, prior to any final monetary settlement, agree upon the amounts reported on the settlement sheet.

Recommendations

5. *The Fair should perform a detailed analysis of the amount of actual cash it collected during the period in which it sold pre-sale tickets. The actual cash collected during the pre-sale period and the amount paid by the contractor after the Fair should be reconciled to unsold pre-sale tickets to determine whether the Fair received their appropriate share of carnival revenue.*
6. *The Fair should maintain all supporting documentation and reconcile the amounts reported for carnival revenue in the general ledger to the amounts on the carnival settlement sheet at the conclusion of the fair. Any variances should be investigated and resolved before the accounting records are closed at year-end. Furthermore, the Fair should comply with the APM by having both a Fair representative and the carnival operator review and approve the carnival recap sheet prior to final monetary settlement.*

NON-REPORTABLE CONDITIONS

SOUVENIR INVENTORY

Internal controls for souvenir items held in inventory were examined for 2008 and the following weaknesses were identified:

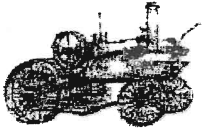
- a. The Fair has not performed an inventory count in recent history to confirm the \$2,667 listed as on their STOP for Account #141, Resale Inventory. An ending inventory count compares the items listed on the general ledger to what is physically counted. Any variance between the two numbers should be researched and appropriate action undertaken to identify and prevent future circumstances of a variance between the two recurring. The Accounting Procedures Manual section 3.13 requires fairs to maintain an inventory control sheet.
- b. The Fair did not reduce the merchandise inventory account or recognize an expense for inventory items distributed as complimentary gifts or awards. Therefore, the amount reflected in Account #141, Resale Inventory, may be overstated.

Recommendations

The Fair should follow procedures on souvenir sales as stated on the APM and perform an inventory of items held for sale on a regular basis.

The Fair should properly adjust the inventory account at the year-end and recognize an expense for the inventory given away.

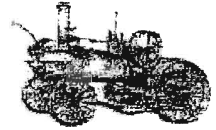
DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



amador county fair

26th district agricultural association

"To Forever Enhance Our Standard as the #1 Small County Fair"



September 21, 2007

Ron Shackelford, CPA
Chief, Audit Office
California Department of Food & Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford,

As required, following is the response to your Reportable Conditions in the management portion of your Audit of the financials records of the 26th DAA, Amador County Fair, for the fiscal year 2008.

ACCOUNTING FOR PHOTOVOLTAIC PROJECT

- a. The Fair overstated its long-term debt liability when initially recording the loan associated with their acquisition of solar panels, as a result Account #250.30, Long-Term Debt, was overstated by \$62,487 on the year-end financial statements. As of December 31, 2008, within its general ledger, the Fair recorded the outstanding debt attributable to the photovoltaic project at \$346,813. However, your office noted that this amount represents the total payments including interest and insurance. Year end outstanding portion actually owed by the Fair was \$284,651. This resulted in overstating the long-term debt within the general ledger, the Fair's net resources were understated by the same amount in the general ledger.
- b. Three of six monthly payments were not allocated properly between a reduction of the principal balance, interest expense, and insurance expense as required when accounting for long-term debt. Payments of \$1,926 were applied solely to a reduction of principal balance, while three others were properly recorded and allocated.

Recommendation

1. *The Fair should make the necessary correcting journal entries to Account #250.30, Long-Term Debt, as soon as reasonably possible and insure that monthly payments are accounted for correctly. Finally, at year-end, the Fair should reconcile all long-term debt amounts reported in the general ledger to corresponding amortization schedules prior to closing the accounting period.*

The Fair concurs with the recommendation and will make the necessary correcting entries to Account #250.30, Long-Term Debt and insure monthly payments are accounted for correctly. The Fair will also reconcile long-term debt amounts reported in the general ledger to corresponding amortization schedules prior to closing the accounting period and preparing the year-end financial accounting reports.

ACCOUNTING FOR FIXED ASSETS

Your office examined the Fair's fixed assets account as recorded in the year-end accounting records, and the following accounting errors or omissions were noted:

- a. The Fair installed and capitalized costs related to the American Disabilities Act (ADA) hardware at multiple locations which did not meet the asset capitalization criteria as established by the Department of Finance (DOF) of having cost \$5,000 or more and having a useful life of one year or longer. By installing the hardware in multiple locations, no single area or structure received more than \$5,000 of the \$11,998 project total, thus not meeting the \$5,000 threshold required for the Fair to capitalize costs.
- b. The Fair included on their fixed asset worksheet, the amount of \$55,826, the costs associated with making repairs to Fair buildings damaged by a storm. Although the amount of money spent was material, amounts spent for repairs should only be capitalized if they meet capitalization requirements and extend the life of the asset. Generally Accepted Accounting Principles (GAAP) requires costs for repairs and maintenance to be expensed in the financial period incurred.
- c. Additionally, your office noted the Fair did not fully recognize the cost for improvements to the wine concession's building. Within its accounting records, the Fair capitalized the cost of the project at \$20,003; however, a closed project report from the California Construction Authority (CCA) identified the total project cost to be \$32,000. As a result, the project is understated within the accounting records by \$11,997.

Recommendations

1. *The Fair should follow DOF asset capitalizations requirements and only capitalize assets that have a cost of at least \$5,000 and a useful life of at least one year.*
2. *The Fair should comply with GAAP by ensuring they expense amounts spent repairing their buildings. Only costs that represent betterments and improvements that extend the life of the asset and comply with DOF capitalization requirements should be capitalized.*
3. *The Fair should make necessary correcting entry to ensure the improvements made to the wine concession's building are fully accounted for within its accounting records.*

The Fair concurs with the recommendation and will follow DOF capitalization requirements and comply with GAAP and ensure that only costs that represent betterments and improvements that extend the life of the asset and comply with DOF capitalization requirements be capitalized.

CARNIVAL REVENUES

Your office cannot determine whether the revenue earned and shared during fairtime in 2008 between the Fair and the carnival operator was appropriate. Within the general ledger and year-end STOP, the Fair reported a total of \$41,960 for carnival and carnival pre-sale revenue. However, a ticket reconciliation of the amount of carnival pre-sale tickets sold along with the minimum guarantee shows the Fair to have earned \$49,620. The Fair cannot explain the approximately \$7,500 difference between the amount in the general ledger and the amount reflected per ticket reconciliation. There is general uncertainty as to the amount of cash collected during the pre-selling of carnival tickets. The Fair did not maintain detailed accounting records that listed the daily pre-sale tickets sold for each of its cash registers along with corresponding cash receipt numbers. Your office cannot determine whether the Fair was correctly paid its share of all carnival revenues.


The internal controls weakness identified are demonstrated by the fact that neither a representative of the Fair nor the carnival contractor signed the final carnival settlement sheet. The Accounting Procedures Manual (APM) requires the Fair and the contractor to sign the settlement sheet.

Recommendations

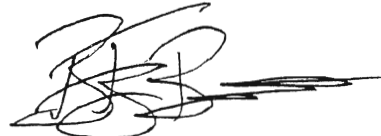
1. The Fair should perform a detailed analysis of the amount of actual cash it collected during the period in which it sold pre-sale tickets. Actual cash collected during the pre-sale period and the amount paid by the contractor after the Fair should be reconciled to unsold pre-sale tickets to determine whether the Fair received the appropriate share.
2. The Fair should maintain all supporting documentation and reconcile the amounts reported for carnival revenue in the general ledger to the amounts on the carnival settlement sheet at the conclusion of the fair. Any variances should be investigated and resolved before accounting records are closed at year-end. The Fair should comply with the APM by having both a Fair representative and the carnival operator review and approve the carnival recap sheet prior to final settlement.

The Fair concurs and will perform a detailed analysis of the amount of actual cash collected and reconcile to unsold pre-sale tickets. The Fair will maintain all supporting documents and reconcile the amounts reported for carnival revenue in the general ledger to the amounts reported for carnival revenue on the carnival settlement sheet at the conclusion of the Fair. Any variances will be investigated and resolved prior to closing accounting records at year-end. The Fair will comply with APM by having both a Fair representative and the carnival operator review and approve the carnival recap sheet prior to final settlement.

Sincerely,



Robert Manassero, President



B. Troy Bowers, CEO

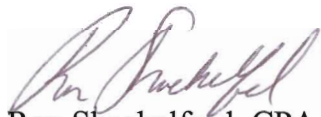
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 26th DAA, Amador County Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between May 26, 2009 and June 5, 2009. My staff met with management on June 5, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

June 5, 2009

REPORT DISTRIBUTION

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1	Director, Division of Fairs and Expositions
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1	Chief, CDFA Audit Office